

Top Secret 217

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NATIONAL INTELLIGENCE DAILY CABLE**Monday March 21, 1977****CG NIDC 77-065C**

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Monday, March 21, 1977.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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[redacted]

AUSTRALIA: Prime Minister to US

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[redacted] //Reporting from the US embassy in Canberra indicates that Australian Foreign Minister Peacock will use his official visit to Washington this week to seek assurances that the new US administration does not take Australia for granted. Since coming to office 15 months ago, the Liberal government headed by Malcolm Fraser has prided itself in having freed the US-Australian alliance from the strains that developed under the preceding Labor government.//

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[redacted] //The Fraser government has been disturbed, however, by the absence of references to Australia and the Southwest Pacific in US pronouncements. It sees this omission as a possible sign of diminished US interest in the post-World War II ANZUS alliance, the foundation of Australia's foreign policy.//

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[redacted] //Australia's feeling of being cast adrift has been increased by its assessment that the US considers Japan its major Pacific ally and has not taken into account the role Australia feels it can play in the Asia-Pacific region.//

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[redacted] //Australia's fears that it has slipped in the US estimation were heightened by President Carter's recent suggestion that the Indian Ocean be demilitarized. The danger of Soviet military activities in the Indian Ocean has been a central theme of Prime Minister Fraser, and he has strongly supported a countervailing US military buildup there.//

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[redacted] //The announcement from Washington surprised and embarrassed the Fraser government--which sets great store on "closer consultations" with the US--and prompted Australian press laments that Washington had forgotten campaign promises to consult allies before acting on issues of mutual concern.//

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[redacted] //Although Peacock is not as conservative as Fraser and aspires to succeed him as Liberal Party leader, Peacock

[redacted]

shares the Prime Minister's uneasiness over Soviet intentions. In a foreign policy speech to parliament last week he echoed Fraser's statement that any US withdrawals from the Indian Ocean must be matched by the Soviets. While in Washington, he will seek reassurances on this score.//

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[redacted] //Peacock will try to complete arrangements for Prime Minister Fraser's visit in June. Fraser has been nettled by Australian press carping that the lack of an official announcement of the visit reflects a reluctance by the US administration to receive him.//

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[redacted] //The foreign minister may request that a prominent American attend the annual commemoration in June of the Battle of the Coral Sea. This event is of considerable psychological importance in Australia, for it amounts to an annual reaffirmation of Australian ties to the US. Australians will see the level of US representation this year as a measure of their country's standing with the new US administration.//

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[redacted] //Peacock may solicit additional US aid to the South Pacific nations to help counter Soviet and Chinese probings in the area. Australia hopes the fourfold increase in its own aid commitment will spark a larger US outlay.//

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[redacted] //The Australian foreign minister will try to get a reading on US and Japanese interest in closer relations with the Association of Southeast Asian Nations. Australia, which has been only moderately successful in getting closer to its Southeast Asian neighbors, wishes to be included in any arrangements ASEAN may make for informal relationships with nonmembers.//

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[redacted] //Peacock may hope to mute US congressional reaction to renewed publicity by Australian political activists about alleged Indonesian excesses in East Timor. Strong Australian public disapproval of the Indonesian takeover has posed a recurring dilemma for the government, which--in the interest of good relations with its northern neighbor--had informally signaled to Jakarta that it would acquiesce in Indonesian absorption of the former Portuguese colony. [redacted]

[Redacted]

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ITALY: Political Tension

25X1 [Redacted] Prime Minister Andreotti will hold talks this week with various political parties and organized labor in an effort to win broad support for the terms attached to a \$530 million IMF standby credit the government negotiated Thursday. Political tensions are rising, and the talks will provide a measure of Andreotti's ability to retain the cooperation of the Communists, Socialists, and other parties that permit him to govern through their abstention in parliament.

25X1 [Redacted] The controversy over the IMF terms--which include guidelines for reducing Italy's inflation rate--is over measures the government has proposed to meet IMF conditions. The Communists, Socialists, and labor unions are determined to amend a government decree that limits certain labor costs and excludes proposed tax increases from the list of items used to calculate automatic cost-of-living wage increases. To stay in effect, the decree must win parliamentary approval by the first week in April.

[Redacted]

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[redacted] Both sides appear to have hardened their positions lately, despite indications in earlier talks that a compromise is within reach. Andreotti's Christian Democrats, reacting largely to the Communist role in parliament's recent indictment of a former Christian Democratic defense minister in the Lockheed affair, are urging the Prime Minister to take a more combative stance in dealing with the Communists. For their part, the Communists are under increasing pressure from their rank-and-file, particularly in labor, to take a tougher line with the government.

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[redacted] Andreotti, whose main strength continues to be the absence of agreement on any alternative to his minority government, will meet today with the leaders of the Communist, Socialist, Social Democratic, Republican, and Liberal parties and will hold talks tomorrow with representatives of the major labor unions. [redacted]

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[Redacted]

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CONGO: Aftermath of Assassination

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[Redacted] Brazzaville remains outwardly calm following the assassination of Congolese President Ngouabi Friday. The 11-man military junta that assumed power seems in control of the situation. The junta probably includes most of Ngouabi's top military associates, and is unlikely to deviate from the leftist course charted by Ngouabi.

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[Redacted] The extent of the plot against Ngouabi remains unclear. According to Radio Brazzaville, the assassination was carried out by a four-man team of "suicide commandos." The radio has

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charged that the assassins were followers of former president Massamba-Debat, whose southern-based regime was ousted by Nguabi, a northerner, in 1968. The ex-president and several of his associates have been arrested. [redacted]

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JAPAN: New Nuclear Fuel Use

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[redacted] Japan's Power Reactor and Nuclear Fuel Development Corporation is investigating a new method of reusing spent reactor fuel without separating plutonium. The method would allow Japan to use the energy contained in spent reactor fuel while conforming to US non-proliferation policy.

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[redacted] The Japanese have been conducting studies of the process for over 10 years, but they have recently given the program increased attention. The Japanese think the program could become a final fall-back position in negotiations with the US on fuel reprocessing.

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[redacted] Even if the Japanese adopted this method of reprocessing reactor fuel, however, it is unlikely that they would rely on it exclusively or would accept a complete ban on extracting plutonium from spent reactor fuels.

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[redacted] In the conventional method for reprocessing spent reactor fuel, the fuel is dissolved and the highly radioactive fission products are removed; the uranium and plutonium are then separated from each other. The uranium can then be re-enriched and used again as fuel in power reactors. The plutonium can be either stored for later use in fast breeder reactors or recycled with the uranium as fuel in the current generation of light-water reactors.

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[redacted] The new process, which the Japanese call co-precipitation, eliminates the second separation step--thereby producing a mixture of plutonium and uranium unsuitable for a nuclear explosive. The plutonium in this mixture could be separated by an additional chemical operation, however, and used for nuclear explosives.

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[redacted] The mixed-oxide fuel produced from the uranium-plutonium product of the separation plant is suitable for a heavy-water-moderated reactor but less satisfactory in the current

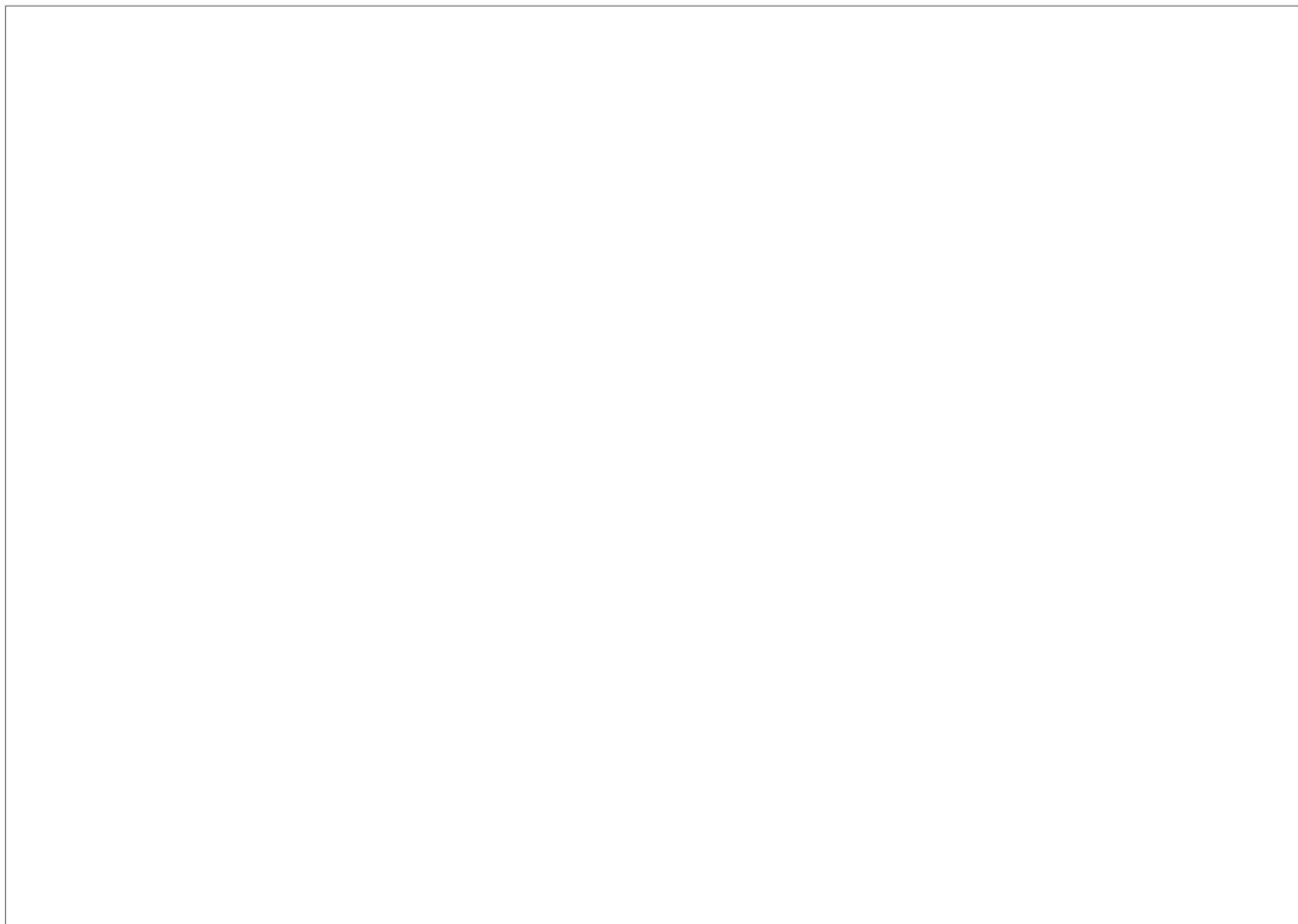
generation of light-water reactors. The Japanese nuclear development corporation has already conducted successful irradiation experiments of test fuel pins made from mixed oxides similar to those expected from the co-precipitation process.

25X1 [redacted] It is unlikely that Japan could use the co-precipitation method exclusively for very long because plutonium will eventually be required for Japan's fast-breeder reactor program. The first such reactor, which will be operational soon, will use plutonium separated in conventional reprocessing facilities in the UK. As their reliance on fast-breeder reactors increases, the Japanese will want their own capability to separate plutonium.

25X1 [redacted] Japan has other reasons for opposing a complete ban on plutonium extraction. It has already constructed a fuel reprocessing pilot plant using conventional methods at a cost of about \$200 million; there would be considerable opposition to spending the additional money necessary to convert this plant to the co-precipitation process. Some Japanese leaders believe that the prestige of their government would be undermined by such action, particularly if it resulted from US pressure.

25X1 [redacted] The Japanese admit that the economic benefits of reprocessing are uncertain, but they consider spent reactor fuel an important energy resource that should be utilized regardless of cost.

25X1 [redacted] Although the Japanese are concerned about nuclear proliferation, they do not believe that US actions to prevent proliferation should interfere with Japan's overall energy needs. Japanese leaders view their energy needs and resources--and hence the policies governing these matters--as vastly different from those of the US. [redacted]



FRANCE: Election Results

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[redacted] //The French municipal elections, which ended yesterday, reinforced important trends in the nation's politics.

--The Communist-Socialist alliance increased its strength.

--President Giscard's weakness was highlighted despite a respectable showing by his Independent Republicans.

--Gaullist leader Jacques Chirac's challenge to Giscard was heightened by Chirac's success in Paris.

[redacted]

--The Gaullist losses nationwide showed that the governing majority--which that party dominates--will be vulnerable in the legislative elections next March.//

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[redacted] //The municipal runoff elections in France brought additional gains for the Communist-Socialist alliance, which according to incomplete results has won 21 more towns from the center-right, giving the leftists more than three quarters of the 220-odd cities with populations over 30,000. The governing coalition apparently won 30 runoff contests for a total of 33 such cities. In Paris, Gaullist leader Jacques Chirac can claim a majority of the 109 seats on the city council, and he will be formally installed as mayor on Wednesday.//

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[redacted] //President Giscard's hand-picked candidate for mayor of Paris, Michel d'Ornano, failed to win election to the city council, a serious blow to Giscard's personal prestige. The latest nationwide projection from yesterday's voting gives the leftist alliance 51 percent and the center-right coalition 46 percent.//

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[redacted] //The opposition alliance of Communists, Socialists, and left Radicals disagrees on key policy issues, but has been able to set aside differences and concentrate on gaining the support it needs to win in 1978.//

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[redacted] //Opinion polls have been indicating that the left can win the approximately 53 percent of the vote it needs to overcome gerrymandering and gain control of the Assembly in 1978. The results of the municipal elections, which are not directly comparable to legislative balloting, show the left drawing closer to its goal and have given it a strong psychological boost.//

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[redacted] //Comparative analyses of French economic conditions and voting trends show that after 1962 the left's electoral gains have resulted from popular discontent with gaps in a generally prosperous system. The economic conditions in France, where voters now are concerned about high inflation and unemployment, appear to strengthen the left's chances for 1978.//

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[redacted] //The government's austerity measures--the Barre plan--are designed to limit inflation at the cost of some reduced economic growth, but they may not be enough to preserve the

right's hold on the Assembly. An extrapolation of the economic and voting trends since 1962 indicates the left could win about 54 percent of the first round vote next March.//

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[redacted] //The prospect of defeat in 1978 has not had the unifying effect on the right that the hope of victory has had on the left. The governing majority--Gaullists, Independent Republicans, and centrists--is driven by ideological, strategic and personal differences, many of which center on attitudes toward the left. These problems have come to a head in the rivalry between Giscard and Chirac.//

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[redacted] //Giscard apparently realizes that there is no immediate chance of success for his long-standing hope of forming a coalition government that would include moderate leftists. But he wants the 1978 campaign run on a reform platform, led by popular, nonpartisan Prime Minister Barre, that will not foreclose that option. The French President reportedly believes that he would gain something by working with a leftist government should the Communist-Socialist alliance win next year.//

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[redacted] //Giscard hopes to blur party lines and significantly weaken the Gaullists. The President's lack of effective leadership, a strong political base and personal popularity, and the conservative image of his Independent Republican Party make it difficult to achieve these goals. The fact that his party did well in municipal races where it opposed the Gaullists should be some consolation to the President, but it is not a sign that his efforts to modify the French political spectrum are beginning to take hold.//

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[redacted] //Chirac, on the other hand, wants to preserve and increase Gaullist power--and his own. He believes that the government's only hope of success in 1978 rests on a hard-hitting anti-left campaign under his leadership. While Chirac might advocate reforms if he were in power, he clearly believes that Giscard's platform is now only encouraging votes for the left.//

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[redacted] //These ideological and strategic differences have been compounded by the personal confrontation between the two men in which each sees the other as personally responsible for the majority's problems. The denouncement of their rivalry in Paris will give some early indication of whether the two sides will be able to moderate their hostility.//

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[redacted] //Both Giscard and Chirac probably agree there should not be an early election. Chirac has let it be known that he will not direct Gaullist deputies to withdraw their support for the President in the Assembly over the next year. The Gaullists need time to try to limit their expected losses in 1978. Giscard, for his part, expects that the continued application and success of the Barre plan will strengthen the chances of his majority and especially of his supporters.//

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[redacted] //If Giscard and Chirac cannot control their rivalry, the coalition will face a very difficult time in the legislative election and the government will be increasingly vulnerable to the left opposition and to the Gaullists. [redacted]

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